

May 24, 2013

To: Executive Board

Subject: **MANAGEMENT SERVICES SUBCOMMITTEE REPORT**

Report and Recommendations

After 25 years as a public agency, Foothill Transit has matured into one of the premier transit agencies in the nation. We have developed a strong management team with a forward looking but fiscally responsible culture that is an essential element of our success. At this time we believe it is important to control our own destiny and costs by bringing that management team in-house.

The subcommittee appreciates the 13-year relationship Foothill Transit has had and the service that has been provided by Veolia Transportation Services, Inc. ("Veolia"). However, now that a mature management team is in place, there are significant advantages to moving management from a contract to an in-house function. These include:

- Direct control over management staff including hiring and retention
- Direct information and control over management costs and resulting cost savings
- Elimination of potential disruptions cause by external corporate reorganizations
- Elimination of potential tensions between external corporate goals and Foothill Transit goals

Your subcommittee recommends that the transition to in-house management be implemented immediately. The most expeditious path to this transition is by revising the scope of the Management Services Agreement ("MSA") with Veolia to eliminate the management functions but retain Transit Store services (Transit Store Operations Manager and staff) and Facilities services (Facilities Supervisor and staff) (the "Proposed Amendment"). Amending the MSA requires the consent of Veolia, of course, and it has not been determined if the Proposed Amendment meets with their approval, nor has a new contract price been negotiated for the Proposed Amendment. Accordingly, your subcommittee makes the following recommendations:

- It is recommended that the Proposed Amendment be negotiated to take effect for the next fiscal year beginning July 1, 2013; that an employment agreement with the Executive Director be approved and executed to become effective July 1, 2013, or upon the earlier termination of his employment by Veolia; and that the Executive Director be directed to immediately develop a transition plan and personnel program so that Foothill Transit can employ a new in-house management team beginning July 1, 2013.

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- In the event the Proposed Amendment has not been negotiated, approved, and executed by Veolia prior to June 15, 2013, it is recommended that Foothill Transit authorize and direct its Chair to issue a 90-day notice of termination of the MSA on June 15, 2013, as permitted under 6.1.1 of MSA; that an employment agreement with the Executive Director be approved and executed to become effective July 1, 2013, or upon the earlier termination of his employment by Veolia; and at such time as the Executive Director becomes a Foothill Transit employee, he be directed to develop a personnel program so that Foothill Transit could begin to make offers, hire and employ a new management team following the termination of the MSA.

Sincerely,

Carol Herrera
Subcommittee Member

Paula Lantz
Subcommittee Member